



State of Delaware Group Health Program FY16 Planning February 6, 2015

The projections in this report are estimates of future costs and are based on information available to The Segal Company at the time the projections were made. The Segal Company has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases. Unless otherwise noted, these projections do not include any cost or savings impact resulting from the new health care reform legislation or other recently passed state or federal regulations.

Agenda

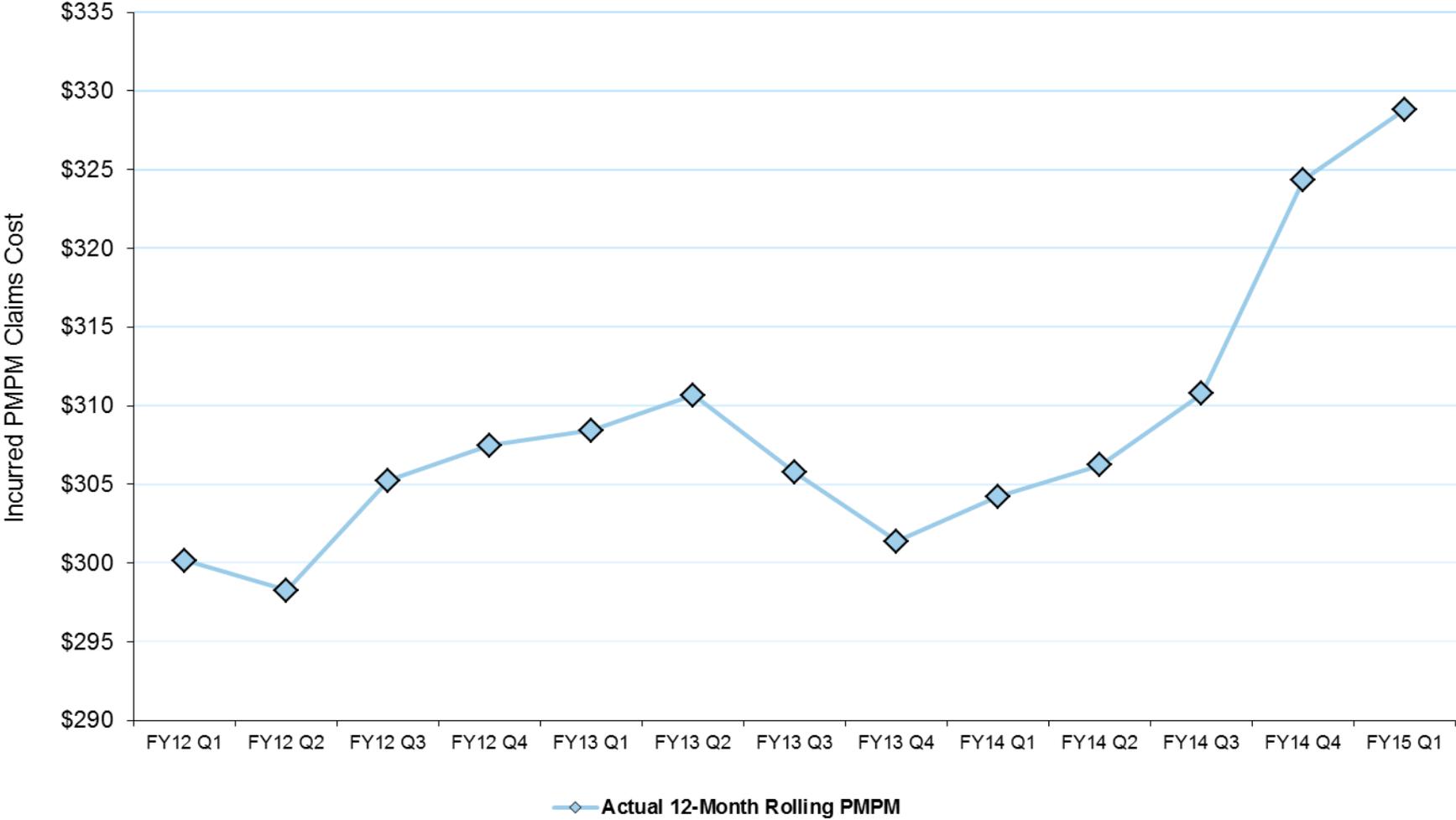
- ↳ FY13/FY14 Claim Comparison
- ↳ Trend Analysis – Medical, Prescription, Combined
- ↳ Actual/Projected Claim Costs FY13 to FY16
- ↳ Affordable Care Act Fee Summary
- ↳ Actual/Projected Premium Revenue FY13 to FY16
- ↳ Governor's Recommended Budget for Group Health
- ↳ Next Steps

Incurred Claims – FY2013 Q1 thru FY2015 Q1

	Medical	Prescription Drugs	Total
FY 2013 Q1	\$108,022,794	\$36,653,606	\$144,676,400
FY 2013 Q2	\$102,489,020	\$44,261,443	\$146,750,463
FY 2013 Q3	\$108,494,575	\$40,132,266	\$148,626,841
FY 2013 Q4	\$105,657,639	\$48,955,630	\$154,613,269
FY 2013 Total	\$424,664,028	\$170,002,944	\$594,666,973
FY 2014 Q1	\$114,137,760	\$42,102,416	\$156,240,176
FY 2014 Q2	\$107,083,940	\$50,724,196	\$157,808,135
FY 2014 Q3	\$116,436,348	\$51,006,596	\$167,442,943
FY 2014 Q4	\$126,386,800	\$56,414,069	\$182,800,869
FY 2014 Total	\$464,044,847	\$200,247,276	\$664,292,123
FY 2015 Q1	\$121,880,042	\$59,035,486	\$180,915,529

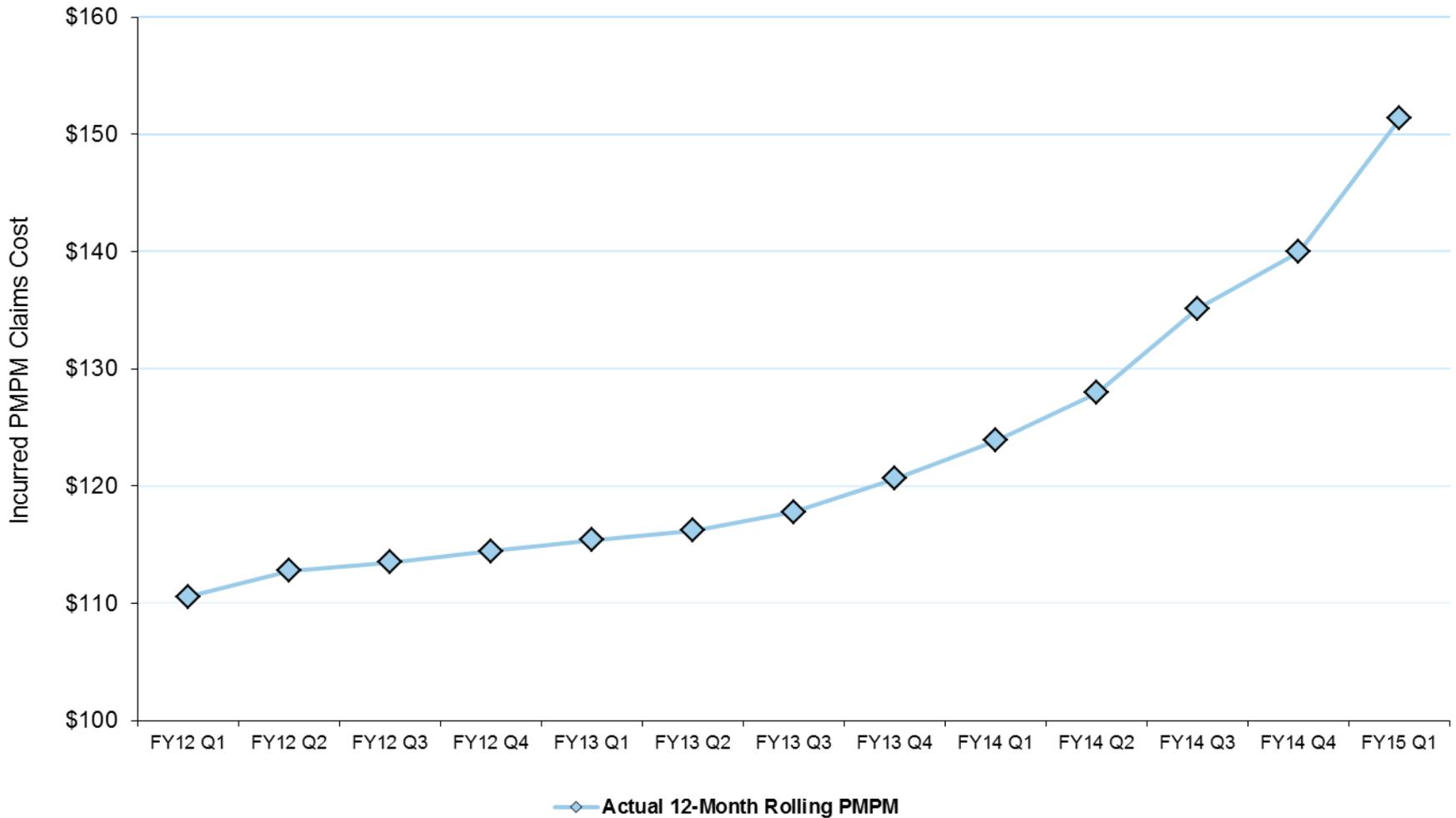
Claims increased approximately \$70M
from FY13 to FY14

Historical Trend Analysis - Medical



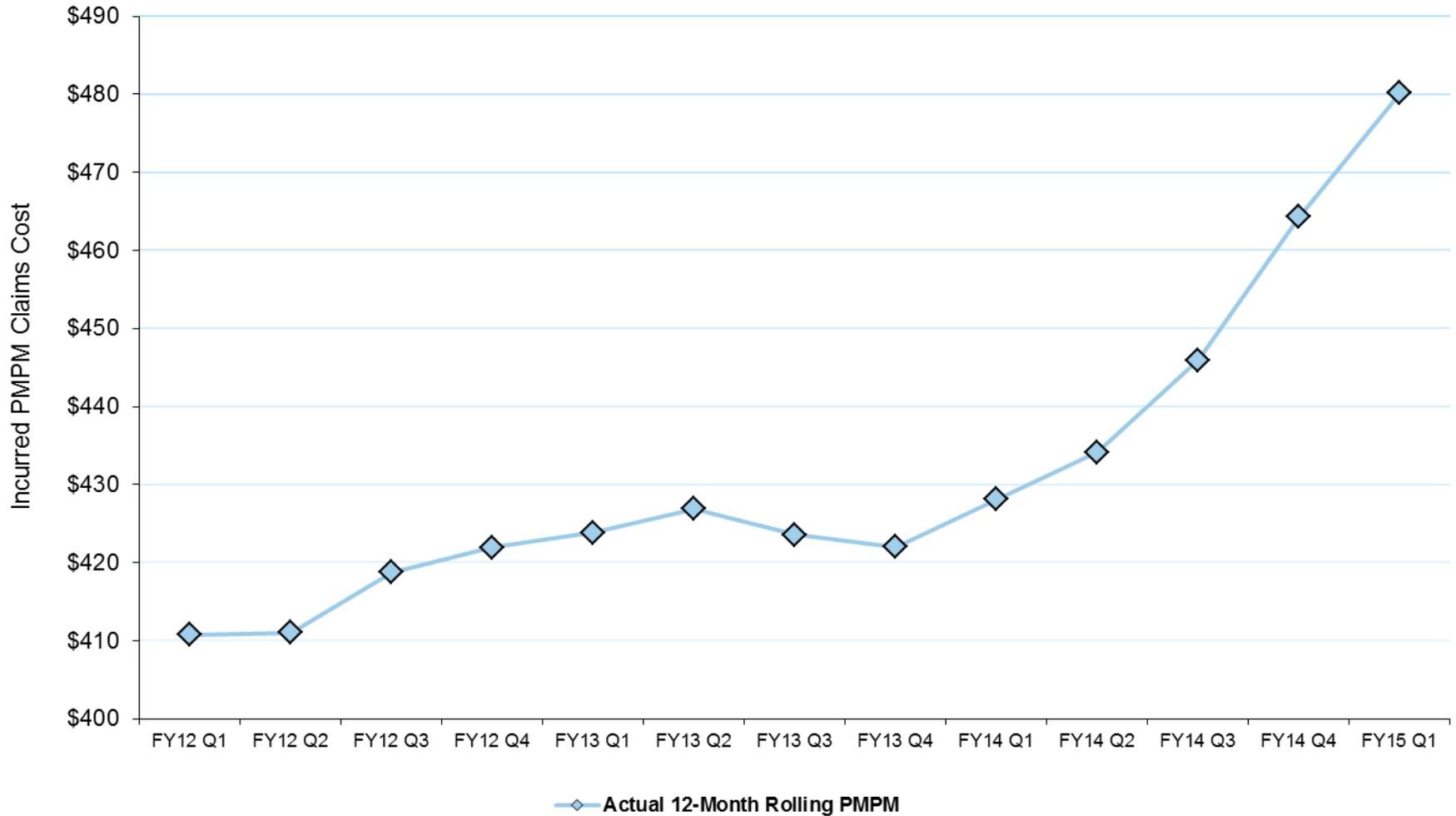
*12-Month Rolling PMPM represents the average Per Member Per Month claims cost for the latest 12 months at that point in time.

Historical Trend Analysis – Prescription Drug



*12-Month Rolling PMPM represents the average Per Member Per Month claims cost for the latest 12 months at that point in time.

Historical Trend Analysis – Medical & Drug



*12-Month Rolling PMPM represents the average Per Member Per Month claims cost for the latest 12 months at that point in time.

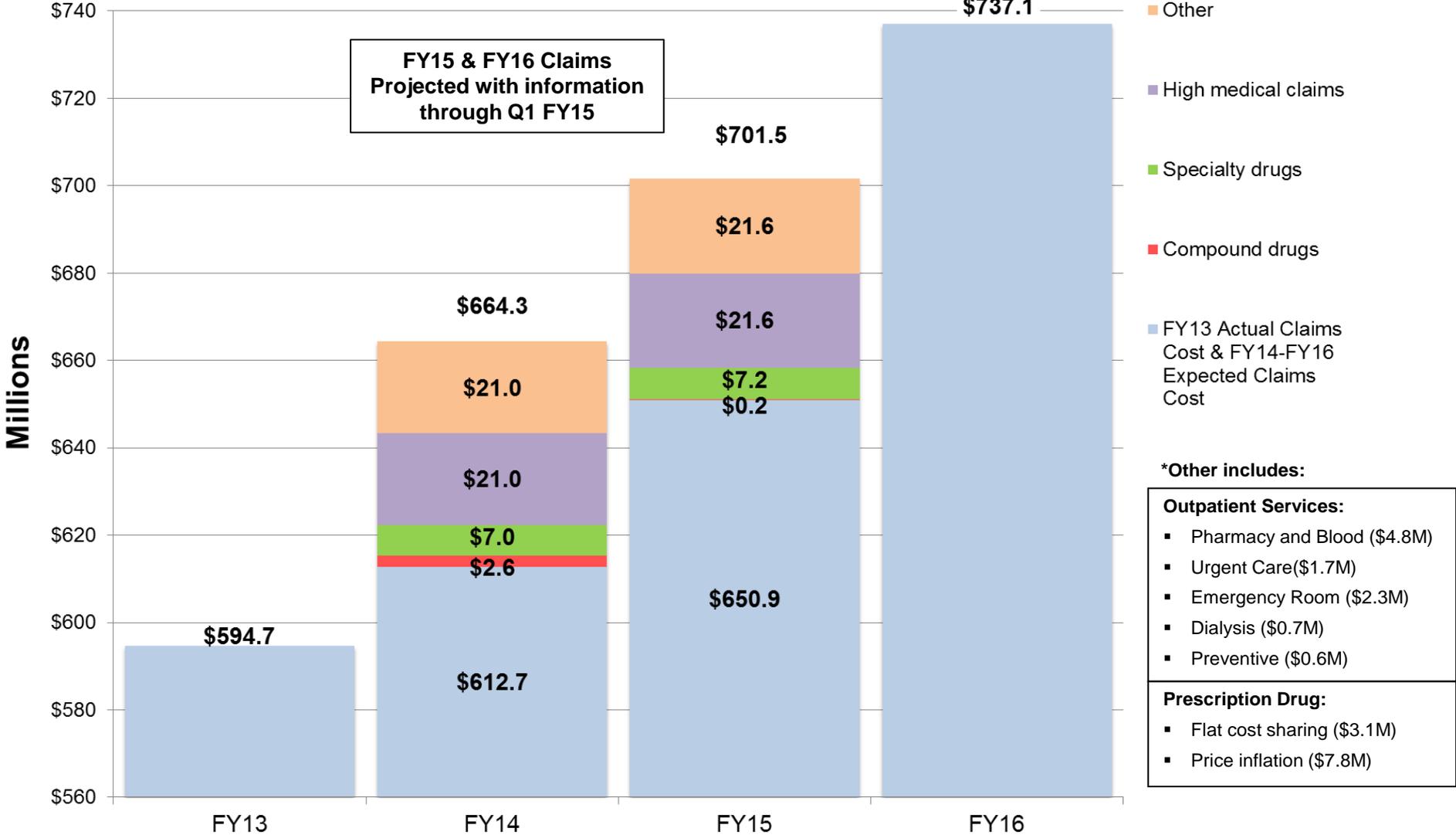
Why did claims increase by \$70M from FY13 to FY14?

Expected increase: \$18 million

Excess increase: \$52 million

- ↳ Compound Drugs: \$2.6 million increase
- ↳ Specialty Drugs: \$7 million
 - Cancer and Hepatitis C drugs
- ↳ High Medical Claims: \$21 million increase
- ↳ Other: \$21 million

Actual and Projected Increase in Incurred Claims FY13 to FY16



Costs above do not reflect offsets for rebates or EGWP subsidies. Vendor fees, ACA fees, and other administrative costs not included.

Amounts for Specialty Drugs, High Medical Claims, and Other for FY15 represent the amounts for FY14 plus 3.0% trend; Actual trend for these categories may be much higher. Compound Drug management program implemented in September 2014 resulting in a significant reduction in Compound Drug expenses for FY15 and beyond.

Affordable Care Act Fees

Transitional Reinsurance Fee

The Transitional Reinsurance program was created to help stabilize premiums in the individual market by providing additional payments to insured plans that enroll the highest cost individuals as a result of the ACA's expansion of coverage.

	Annual Per Member Fee		Annual Per Member Fee	Annual Total	
CY14	\$63.00	➔	FY14	\$31.50	\$3,053,300
CY15	\$44.00		FY15	\$53.50	\$5,203,400
CY16	\$27.00		FY16	\$35.50	\$3,452,700
			FY17	\$13.50	\$1,313,000

- 1) Fee charged for all Non-Medicare lives covered under the plan (including dependents).
- 2) Fees charged by the calendar-year.
- 3) A portion of the fee is paid in January immediately following the calendar year. The remainder is paid in the fourth quarter following the calendar year.

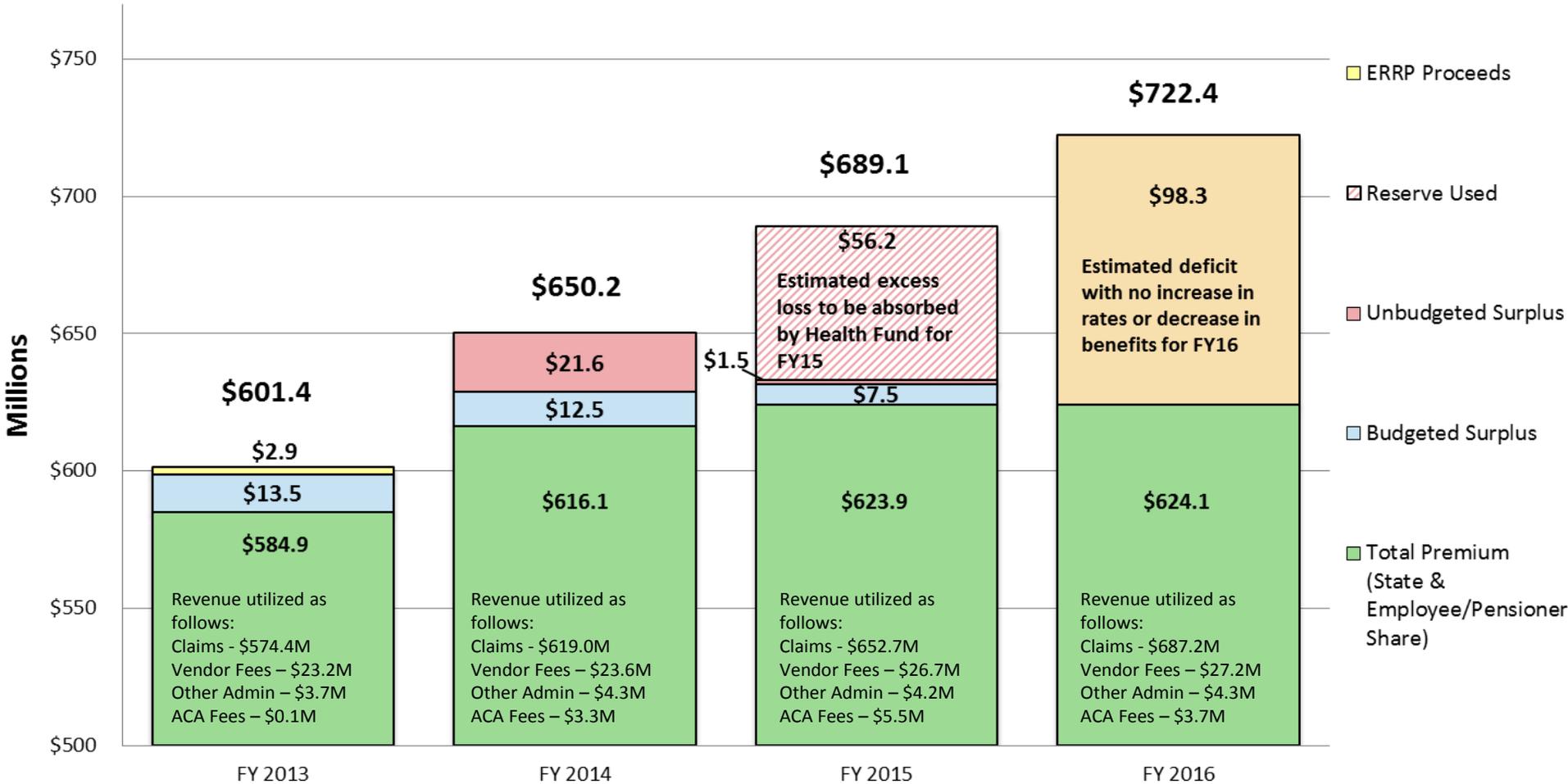
Patient-Centered Outcomes Research Institute (PCORI) Fee

The Affordable Care Act created the Patient-Centered Outcomes Research Institute to conduct research evaluating and comparing health outcomes and assess the clinical effectiveness, risks, and benefits of medical treatments. The PCORI's work will be funded in part through these fees.

	Annual Per Member Fee	Annual Total
FY13	\$1.00	\$117,200
FY14	\$2.00	\$238,400
FY15	\$2.08	\$250,000
FY16	\$2.14	\$257,200
FY17	\$2.20	\$264,500
FY18	\$2.27	\$272,900
FY19	\$2.34	\$281,300
FY20	\$2.41	\$289,700

- 1) Fee charged for the average number of lives covered under the plan (including dependents).
- 2) Fees charged for the fiscal-year.
- 3) Fees are paid annually by July 31 of the calendar year immediately following the last day of the plan year.

State of Delaware Group Health Revenue



- FY15 revenue and expenditures are estimates based upon premiums in place through 6/30/15 and actual claims experience through 9/30/14 and projected through 6/30/15 using a trend factor of 3.0%.
- FY16 revenue estimates as shown assume no change in current FY15 premiums. FY16 claims are estimated using a trend factor of 5.5%, based on current plan design and do not reflect potential savings achieved through plan design modifications.

Governor's Recommended Budget

- Governor's FY16 recommended budget includes \$26.1M General Funds for Group Health
 - \$26.1M General Funds equates to \$56.2M All funds accounting for
 - Non General Fund dollars (e.g. school local funding)
 - Nonpayroll group full funding of premiums
 - Employee and retiree share of premiums

Next Steps

- February 20 meeting
 - Review FY15 Q2 financials
 - Review FY16 projected expenses versus revenue
 - Present options for balancing revenue and expenses
 - Present FY16 DelaWELL Program
- March 6 meeting
 - Continue discussion on options for balancing revenue and expenses for FY16
- March 20 meeting
 - Finalize recommendation for balancing revenue and expenses for FY16